



SELF-APPROVED PROJECTS IN THE CAISO AREA: WHAT WE KNOW AND WHERE WE GO FROM HERE

**FERC TECHNICAL CONFERENCE REGARDING LOCAL TRANSMISSION PLANNING
IN THE CAISO CONTROL AREA - FERC DOCKET NO. AD18-12-000**

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The CPUC

- The CPUC represents PG&E, SCE, and SDG&E retail ratepayers.
- Retail ratepayers pay approximately 90% of the Transmission Access Charge (TAC).
- The CPUC is concerned about growing TAC rates and balancing these costs with California's renewable energy goals.
- Several hundred miles of new 500kV transmission capacity have been added in the CAISO to meet California's renewable energy goals including the Sunrise Powerlink and the Tehachapi Renewable Transmission Project.
- The CPUC supports transmission investment – but it must be for needed projects built at the right time and the right price.





What We Have Learned

- We had over a dozen voluntary settlement meetings with PG&E following our February 2017 Order 890 complaint (FERC Docket No. EL17-45)
- The Complainants' goals in those meetings were:
 - To develop Order 890-Compliant tariff language, and
 - To understand PG&E's planning processes.
- My focus today will be on PG&E because:
 - We know more about PG&E's practices because of the TO 18 rate case discovery; and
 - While spending on self-approved projects is significant for all of the PTOs – in the hundreds of millions of dollars - PG&E's spending on self-approved projects is of a much greater order of magnitude.





SCE & SDG&E Self-Approval Practices Also Concern Us – So We Are Gathering More Data

- PG&E has spent more than \$4.6 billion on self-approved projects since 2010
- We have only a few years of data showing the scope of SCE and SDG&E's self-approval practices.
- Thus, the CPUC recently issued identical data requests to all three utilities to better understand and quantify the magnitude of the self-approval problem from 2007 to the present, and what we can expect for the next five years out as well
 - This will allow us, among other things, to do apples to apples comparisons across the three PTOs
- We do seek uniformity in the local planning processes for all three PTOs, and something similar to the existing CAISO TPP.
- However, differences among the PTOs - both in scope and existing planning processes - may require focusing first on PG&E, and then adopting similar tariffs for SCE and SDG&E; or a single CAISO tariff may be appropriate
 - We are still thinking through this issue
 - What we learn today from SCE and SDG&E will likely inform our thinking on that issue





Immediate Challenges To Developing & Implementing An Order 890-Compliant Process

- **How to address “In-Flight” projects?**
- **How to transition from ad hoc planning processes to replicable processes when critical asset data is missing?**
- **How to resolve disagreements about the need for specific projects or classes of projects?**
- **Given the magnitude of the customer dollars at stake, we want to see all of all this happen as soon as possible – especially for PG&E.**





In-Flight Projects

- We will need a going forward planning process that accounts for what we refer to as the “in-flight” projects – those projects that have already been planned and have commenced development
- The challenges include:
 - Drawing the line on which projects are “in” the new process, and which can just go forward;
 - The immediate need for comprehensive data regarding all projects in the queue to determine where to draw that line; and
 - The need for interim processes to determine which in-flight projects should be delayed or revisited.





The Magnitude of “In-Flight” Projects Is Huge

- For example, we know from PG&E’s TO19 rate case filing – Table 15-2 - that PG&E currently forecasts expenditures this year of:
 - \$692,393,000 for 2018 capital additions;
 - \$510,324,000 for 2019 capital additions; and
 - \$256,549,000 for 2020 capital additions
 - For a total of approximately \$1.46 billion in 2018
- We know that since at least 2010 over 60% of PG&E’s capital additions each year have been self-approved
- Thus, we can reasonably expect that at least 60% of that forecasted spending in 2018 – approximately \$876 million – will be for self-approved projects
- Thus, just for PG&E, we expect more than a billion dollars will be spent on “in-flight” capital additions that will be added to ratebase in the next three years (\$876M + 2019 and 2020 expenditures)
- These projects should be subject to some level of immediate scrutiny – and not just in PG&E’s rate cases.





The *Implementation Challenge* - How To Comply with Order 890 if the PTOs lack the processes or data resources necessary for compliance?

- The PTOs should describe today the internal processes they have in place today; however, it is critical to ground-truth their claims with documentation.
- The TO18 evidence shows that PG&E could not comply with Order 890 today because PG&E does not have documented and replicable transmission planning processes in place for its own use, much less for review by others.
- We suspect that SDG&E and SCE, similarly, do not have the data or planning processes in place today to meet Order 890 requirements.
- Thus, even if all parties could agree today on a planning process, we would still have significant implementation challenges – i.e. how soon can this really be up and running?





The TO18 Discovery & The CPUC's San Bruno Experiences Provide Context For This Concern

- PG&E has corporate “procedures” dating from approximately 2012 and 2013 that establish criteria for determining repair and replacement priorities for some transmission assets.
 - We know that as recently as 2017 PG&E did not provide these procedures to all assets in a class.
 - We don't know what procedures applied to those other assets
- There is no documentary evidence that any of the procedures have been followed, or are being followed today.
- Healthy skepticism regarding what is really being done today is appropriate:
 - In the CPUC's gas transmission experience we found that while PG&E had procedures in place, it did not follow them.
 - We also found that while PG&E executives claimed the procedures were being followed, the evidence showed otherwise.





PG&E's 2017 “Strategy” Documents

- In response to CPUC data requests for evidence supporting PG&E claims that it used “data driven condition-based” planning methodologies,” PG&E produced “Strategy” documents specific to many of its transmission assets. CPUC IB at 39-40.
- Nearly every “Strategy” document produced was a power point presentation dated 2017. CPUC IB at 40.
 - The Strategy documents may have been produced in response to the Order 890 complaint, and/or subsequent discovery requests in TO18.
- The strategy documents demonstrate that PG&E’s current procedures for identifying and prioritizing its capital additions work do not comply with Order 890 because the strategies:
 - Identify significant data deficiencies in the current procedures that make identification and prioritization of work difficult, if not impossible (see, e.g. CPUC IB at 41-45); and
 - PG&E’s identification and prioritization procedures cannot be replicated based on these documents.





PG&E Has Admitted:

- That capital addition decisions have been made primarily on a project-by-project basis, rather than through a comparison of similar assets as a whole in order to compare projects and prioritize them. TO18 Tr. 212:24-214:16, Dasso.
- That it “wouldn't be able to do a database search to do that comparison” of similar assets as a whole. TO18 Tr. 214:6-9, Dasso.
- And that updating the data for such a comparison would be “time-consuming.” TO18 Tr. 230:8-25, Dasso.
- Thus, While PG&E claims that it uses “data driven” “condition-based” methodologies, all that means is that PG&E uses *some* data, and considers the condition of *some* of its assets, *some* of the time.





PG&E's "Advancement" Processes Violate Order 890

- **If projects PG&E forecasts for a particular year are delayed, they are substituted with other projects – what PG&E calls “advancing” project**
 - However, many of the “substitute” or “advanced” projects don’t show up anywhere in PG&E’s 5 Year Plan – so Stakeholders have no knowledge of the projects at all, even in the rate case
- **The number of substitutions is substantial, as evidenced by PG&E’s 2016-2017 Ratebase Additions**
 - Nearly \$200 million in non-programmatic projects estimated to cost over one million dollars and identified to come into service in 2016 and 2017 were not added to ratebase.
 - Instead, they were replaced with more than 800 other projects estimated to cost over \$300 million.
 - The vast majority of those 800+ projects were not identified in PG&E’s TO18 application or its Five Year Plan





PTO Claims That Rate Cases Are An Adequate Forum To Challenge Planning Decisions Are Disingenuous

- As we have seen in PG&E's TO18 rate case, many projects showed up in ratebase that were not even identified in that case.
- Nevertheless, all three PTOs have suggested at various times that rate cases provide an adequate forum to comply with Order 890.
- These claims disregard FERC's explicit statement that "[i]n Order No. 890 transmission planning *is not intended to be limited to the mere exchange of information and after the fact review* of transmission provider plans. The planning process is instead intended to provide a meaningful opportunity for customers and stakeholders to engage in planning along with their transmission providers." CAISO, 123 FERC P 61,283 at P 88 (2008).
- Rate cases are exactly the forum that engages in the type of "after the fact review" FERC intended to avoid.





What Next?

- We have our work cut out for us.
- We need to move quickly.
- We can be working on tariff language immediately – the Complainants are prepared to provide a draft shortly.
- However, in parallel, we need to know as soon as possible – starting with PG&E - how the PTO's planning processes really work so that we can address issues such as:
 - In-Flight projects; and
 - Missing/inadequate data
 - And we need guidance on appropriate conflict resolution procedures.





Thank You For This Opportunity For Us To Share Our Concerns On This Important Issue!

- To see the evidence supporting the CPUC claims regarding the state of PG&E's planning procedures and data, please see the CPUC's Initial Errata and Reply briefs in ER16-2320 filed on March 29 and April 17.
- We are happy to email copies of our slides for today, hyperlinked versions of our briefs so you can easily access the evidence, and any other materials.
- Please email simon.hurd@cpuc.ca.gov with questions, concerns, or clarifications.

